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## APPENDIX IV-2

### INSTRUCTIONS FOR ISSUANCE OF GINNIE MAE MORTGAGE-BACKED SECURITIES THROUGH BOOK-ENTRY

These instructions apply to all Ginnie Mae securities which Ginnie Mae requires to be issued in book entry form.

The following are the key features of issuing a book entry security:

- (1)
  - (a) The initial issuance of new securities through the Mortgage-Backed Securities Division of The Depository Trust Company (the "MBS Division" or the "Depository") depository system results, in the case of all pools but Serial Note, project loan, and construction loan pools, in the issuance of uncertificated securities registered in the name of MBSCC & Co. (the designated nominee for the Depository). The issuance of new Serial Note, project loan, and construction loan securities is discussed in paragraph 1(b) below. Although a physical certificate will not be available for delivery to the subscriber (purchaser) of new, uncertificated Ginnie Mae securities when they are initially issued in book-entry form, after initial issuance, a beneficial owner of the securities may request to receive physical securities registered in its name. Thereafter, a beneficial owner of such certificated securities may redeposit them with the Depository, after which they will be maintained as uncertificated securities, registered in the name of MBSCC & Co., until again withdrawn from the Depository and issued in physical form
  - (b) The initial issuance of new Serial Note securities through the Depository results in the issuance of one certificate for each Serial Note unit included in the issuance. Each such certificate is registered in the name of MBSCC & Co. (the designated nominee of the Depository) and delivered to the Depository. Each initial issuance of new project loan or construction loan securities results in the issuance of only one certificate. The one certificate is registered in the name of MBSCC & Co. (the designated nominee of the Depository) and delivered to the Depository. After initial issuance, a beneficial owner of Serial Note, project loan, or construction loan securities may request to receive a physical security registered in its name. Thereafter the beneficial owner of such securities may redeposit them with the Depository, after which they will be maintained as certificated securities registered in the name of MBSCC & Co. until again withdrawn from the Depository.
- (2) It will be the responsibility of the purchaser to arrange for a Depository member (Participant), if it is not itself a Participant, to take delivery of the security position within the Depository. It will be the responsibility of the issuer to assure itself that the correct Participant is designated and the correct Depository account information is provided on the Schedule of Subscribers and Ginnie Mae Guaranty Agreement, (form HUD 11705). If this is not provided, the Depository may not be able to timely credit a Participant's account with an expected position.

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(3) Important rules in preparing the Schedule of Subscribers and Ginnie Mae Guaranty Agreement (form HUD 11705) are as follows:

- MBSCC & Co. is always the designated subscriber for securities in the total amount of the pool. This information is preprinted at the bottom of the subscribers box on the form HUD 11705.

The chosen Participant(s), their Depository account information, and their corresponding purchase amount must be designated so that the security position can be credited to the specified Participant on the records of the Depository.

The account information required is shown in the following example:

**Name of Subscriber**

The Chase Manhattan Bank (Custody)

*or,*

CHASE (Contra ID for The Chase Manhattan Bank)

For ABC National Bank

Account No. 123456

- “Depository Trust Company” must be designated as the agent to pick-up Serial Note, project loan, or construction loan certificates.

An example of a properly completed form HUD 11705 is attached.

Issuers should note that the Depository has developed features that facilitate the control of securities between the time they are made ready for delivery by The Chase Manhattan Bank, which is Ginnie Mae’s Central Paying and Transfer Agent (“CPTA”), and the anticipated settlement date. These features facilitate warehouse lenders’ control over securities prior to delivery at settlement.

**Please Note:** The CPTA will deliver securities immediately after the pool is processed and approved for issuance. In the case of uncertificated securities, delivery will occur when the Depository’s nominee is named as the registered owner on the Ginnie Mae central registry (Central Registry) maintained by the CPTA. In the case of Serial Note, project loan, or construction loan securities, certificate delivery will occur when the CPTA delivers possession of the certificate to the Depository. The CPTA will not hold any pool until the settlement date if it is processed and ready for delivery prior to any settlement date designated on the form HUD 11705.

Securities initially issued in uncertificated form will always be held in uncertificated form so long as they are registered in the name of the Depository’s nominee. Securities initially issued in certificated form will always be held in certificated form so long as they are registered in the name of the Depository’s nominee.

In order to issue through the Depository, an issuer or a warehouse lender as investor must establish a relationship with a Participating member of the Depository. An issuer (or its warehouse lender) may also establish a Limited Purpose Account with the Depository for the receipt and maintenance of securities by the Depository until settlement through a Participant.

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A Limited Purpose Account for the issuance of new Ginnie Mae pools is available to issuers and warehouse lenders which are approved by the Depository to be Limited Purpose Participants. Warehouse lenders should be aware that their lien on pooled loans prior to settlement is recognized by the Depository by delivering to a Limited Purpose Participant Account.

The Limited Purpose Account provides the issuer or warehouse lender with control over the securities that are issued and held in the account until settlement through a Participant. Securities may be delivered from that account to the account of another Limited Purpose Participant or a Participant, free or versus payment, as prescribed by the rules and procedures of the Depository. A Limited Purpose Account can, however, only receive deliveries free since a Limited Purpose Participant is not permitted to incur a transaction debit balance.

Another method of effecting new pool issuance is by establishing an agent relationship with a Depository Participant or with a local bank that has a correspondent relationship with a Depository Participant. Securities when ready will be issued into the Agency Seg Account of the Participant Agent and delivered by book-entry on the agreed upon delivery date to the account of the purchaser or its Agent Participant.

If the issuer has not established a Limited Purpose Account, it must make arrangements with its Agent or Participant for the purpose of holding securities (free of payment) until the scheduled settlement date. The Depository is unable to act as the issuer's or warehouse lender's custody agent until delivery can be made. Should the Depository be put in that situation, issuers risk having their security position DK'd (refused) and returned to a Depository suspense account where issuers may have difficulty in recovering their position in time to make settlement.

In any case, the issuer or warehouse lender may, through its Limited Purpose Account or through its Participant or Agent Participant, withdraw a physical certificate from the Depository as provided in the Depository's rules and standard operating procedures for withdrawal. This is true whether the securities were issued initially in uncertificated or in certificated form.

In accordance with good delivery guidelines of the Bond Market Association, trades are required to be in whole dollars only. This means, for example, that a security with an original principal amount of \$35,216.85 will trade at \$35,216.00. The cents will be dropped from the trade. Issuers/Servicers and the CPTA will not eliminate the cents portion from their records.

The elimination of pennies on securities will, under certain circumstances, create a security on the transfer agent's and the issuer's transfer record of amounts less than \$1.00. If a trade takes place where a physical certificate will be withdrawn from the Depository and the security was issued in an original amount that included cents, the CPTA will only release the whole dollar amount. To account for the pennies, an adjustment will be made in the amount registered in the name of the Depository's nominee on the Central Register and, in the case of securities held in certificated, book-entry form, a second Ginnie Mae certificate will be created, registered in the name of MBSCC & Co., and delivered to the Depository. Therefore, two transfer records will be recorded by the CPTA and by the Issuer/Servicer. For example, a security that has an original principal amount of \$1,624,791.54 and that is requested from the Depository in physical form will be certificated in the amount of \$1,624,791.00. MBSCC will be credited in the Central Register with an additional \$.54 principal amount of the securities, and, if the securities are held by the Depository in certificated form, a second certificate will be created in MBSCC & Co.'s name in the amount of \$.54 and delivered to the Depository.

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Should a security registered in book-entry form be requested by an investor to be registered in physical form and the security was originally issued with cents, then Ginnie Mae's transfer agent will issue the certificated security in an amount equal to the nearest whole dollar, and a separate security will be registered in MBSCC & Co.'s name on the Central Registry in the principal amount of the cents portion. If the securities are held in certificated, book-entry form, a certificate will be created in the amount of the cents portion, showing MBSCC & Co. as the registered owner, and delivered to the Depository. The Depository has notified Ginnie Mae that in the interest of efficiency, it does not expect to receive, and Ginnie Mae will not require, payment for any security issued in an amount of less than \$1.00, but the Depository will accept such payment if tendered.

The elimination of cents on book-entry trades will only take place within the Depository. This will not affect the issuers' security holder registers or the CPTA's Central Registry. The amount registered to MBSCC (the registered holder on all book-entry securities) will be the same amount as before the changes discussed above. Moreover, the calculations of Remaining Principal Balances (RPBs) and monthly payments due to MBSCC will not change.

For questions regarding book entry delivery methods and procedures including the establishment of various types of accounts contact: MBS Division Operations Manager. The telephone No. is: 212-412-6500. The address is: 55 Water Street, 26<sup>th</sup> Floor, New York, New York 10041.

The remainder of this Appendix provides details on the various methods by which securities are issued through the Depository.

### **Example #1**

New pool issuance by issuers where issuers and/or their warehouse lenders do not have a Limited Purpose Account with the Depository and the security has been sold to an investor. In this case the issuer must specify delivery to a Depository Participant or to an entity that has an agent account relationship with a Depository Participant. The sale could be free of payment or versus money.

It is the responsibility of the issuer to establish a relationship with a Depository Participant or with an institution that has a direct or indirect relationship with a Depository Participant. An example of how an indirect Depository Participant relationship functions is as follows:

Issuer has an account relationship with its local Bank "A" that is not a Depository Participant. However, Bank "A" has a correspondent banking relationship with a Depository Participant, Bank "B". The issuer instructs Bank "A" to act as its agent in the transaction. Instructions to process and settle the transaction pass from Bank "A" to the Depository Participant, Bank "B". Bank "B" acts as agent for Bank "A" which is the agent of the issuer.

Responsibility	Action
Issuer	1. Prepares form HUD 11705 as per standard procedures, specifying the Depository agent Participant or the designated Agency Seg Account that will settle the transaction.
	<b>Note:</b> It is vital to reflect Bank “B’s” designated Depository Agency Seg Account, if such account is being used, in the subscriber column on the form HUD 11705. Also, Bank “A’s” name and custody account number with Bank “B” should be listed.
	<b>Example:</b> Bank “B’s” designated Agency Seg Account/USA Trust Company a/c #123456.
	2. Communicates pertinent pool information to Bank “A” including settlement date, contra party, net money or free of payment. Informs Bank “A” that pool must be held in Bank “B’s” designated “Agency Seg Account”, if such account is being used.
Bank “A”	3. Communicates pool information in Step 2 to Agent Bank “B”, the Depository Participant Agent.
	<b>Note:</b> Instructions should be provided to Bank “B” at least 2 business days prior to settlement date to ensure that the Participant has enough lead time to update its internal systems and accept delivery on settlement date. This will avoid DK’s and costly rework.
The Chase Manhattan Bank (as agent for Ginnie Mae and CPTA)	4. Registers security in name of the Depository’s nominee (MBSCC & Co.), notifies issuer, and, if securities will be issued in certificated form, delivers certificates to the Depository. If securities are issued in uncertificated form, the CPTA confirms to the Depository the registration of the securities in the name of MBSCC & Co.
	<b>Note:</b> If the CPTA delivers security prior to scheduled settlement date, issuers must make arrangements with their Agent or Participant for the purpose of holding securities (free of payment) until the scheduled settlement date. The Depository is unable to act as the issuer’s or warehouse lender’s custody agent until delivery can be made.
Depository Trust Co.	5. If securities are issued in certificated form, deposits certificate in vault. Accesses SPEED System and credits security to Agent Bank “B’s” designated Agency Seg Account on date securities are delivered by The Chase Manhattan Bank. All securities will be posted by the Depository no earlier than 2:00 p.m. on the ready date.
Issuer	6. Informs Bank “A” that securities are ready.
Bank “A”	7. Informs Bank “B” that securities are ready.
Bank “B”	8. Accesses SPEED System and performs inquiry function to determine if security has been credited to its designated “Agency Seg Account”. If security has been credited, proceeds to step 9. If security has not been credited by 2:00 p.m. on the ready date, informs Bank “A” of the situation.
Bank “A”	9. Receives information from Bank “B” and informs issuer of situation.

Responsibility	Action
Issuer	10. Resolves issuance delay with the Depository.
Bank "B"	11. If Bank "B" is maintaining securities until contractual delivery date to purchaser, instructs the Depository to deliver security via book entry to the purchaser if a Participant or to the Participant agent for purchaser as per the Depository's operating procedures.
	12. Upon settlement, the Participant or Agent Participant for the issuer receives same day funds wired to its bank as per standing instructions.
Bank "B"	13. Advises Bank "A" that transaction has settled.
Bank "A"	14. Advises issuer that transaction has settled.
<b>End of Example #1</b>	

### Example #2

New pool issuance by issuers where issuers or their warehouse lenders do not have a Limited Purpose Account with the Depository and the security has not been sold at time the pool is submitted for processing. In this case, the pool is issued either to the issuer or to the warehouse lender. The warehouse lender wishes to retain control of pool by having it held on deposit in a Participant account at the Depository until the pool is sold.

It is the responsibility of the issuer or warehouse lender to establish an agent relationship with a Depository Participant or with an institution that has a direct or indirect relationship with a Depository Participant. An example of how an indirect Depository Participant relationship functions was demonstrated in Example 1.

Responsibility	Action
Issuer	1. Prepares form HUD 11705 as per standard procedures specifying the Depository agent Participant or the designated Agency Seg Account that will settle the transaction.
	<b>Note:</b> It is vital to reflect Bank "B's" designated Depository Agency Seg Account, if such account is being used, in the subscriber column on the form HUD 11705. Also, Bank "A's" name and custody account number with bank "B" should be listed.
	<b>Example:</b> Bank "B's" designated Agency Seg Account/USA Trust Company AC #123456.
	2. Communicates pertinent pool information to Agent Bank "A" including settlement date, contra party, net money or free of payment. Informs Bank "A" that pool must be held in Bank "B's" designated "Agency Seg Account", if such account is being used.
Bank A	3. Communicates pertinent pool information in Step 2 to agent Bank "B", the Depository Participant Agent.
	<b>Note:</b> Instructions should be provided to Bank "B" at least 2 business days prior to settlement date to ensure that the Agent participant has enough lead time to update its internal systems and accept delivery on settlement date. This will avoid DK's and costly rework.

Responsibility	Action
The Chase Manhattan Bank (as agent for Ginnie Mae and CPTA)	4. Registers securities in the name of Depository's nominee (MBSCC & Co.), notifies issuer, and, if securities will be issued in certificated form, delivers certificates to the Depository. If securities are issued in uncertificated form, the CPTA confirms to the Depository the registration of the securities in the name of MBSCC & Co.
	<b>Note:</b> If the CPTA issues securities prior to scheduled settlement date, issuers must make arrangements with their Agent or Participant for purpose of holding securities (free of payment) until the scheduled settlement date. The Depository is unable to act as the issuer's or warehouse lender's custody agent until delivery can be made.
Depository Trust Co.	5. If securities are issued in certificated form, deposits certificate in vault. Accesses SPEED System and credits security to Agent Bank "B's" designated Agency Seg Account on date securities are delivered by The Chase Manhattan Bank. All securities will be posted by the Depository no earlier than 2:00 p.m. on the ready date.
Issuer	6. Informs Bank "A" that securities are ready.
Bank "A"	7. Informs Bank "B" that securities are ready.
Bank "B"	8. Accesses SPEED System and performs inquiry function to determine if security has been credited to its designated "Agency Seg Account". If security has been credited, proceeds to step 12.
	9. If security has not been credited by 2:00 p.m. on ready date, informs Bank "A" of the situation.
Bank "A"	10. Receives information from Bank "B" and informs Issuer of situation.
Issuer	11. Resolves issuance delay with the Depository.
Bank "B"	12. Advises Bank "A" that the securities are held in its designated Depository Agency Seg Account.
Bank "A"	13. Advises issuer that the securities are held in Bank "B's" designated Depository Agency Seg Account.
<b>End of Example #2</b>	

### Example #3

New pool issuance by issuers where either issuers or warehouse lenders have established a Limited Purpose Account with the Depository. Issuer has sold pool to a Depository Participant or to an entity that has an agent account relationship with a Depository Participant. (The sale could be free of payment or versus money.)

Responsibility	Action
Issuer	1. Prepares form HUD 11705 as per standard procedures specifying its Limited Purpose Account with the Depository in the subscriber column on the form HUD 11705.
	<b>Example:</b> USA Mortgage Company USAMTG
	2. Communicates pertinent pool information, including settlement date, net money or free of payment to the purchaser of the pool.

Responsibility	Action
Purchaser Using Agent Account with Participant	3. Communicates pertinent pool information to agent Participant including settlement date, net money or free of payment.
	<b>Note:</b> Instructions should be given to purchaser's agent Participant at least 2 business days prior to settlement date to ensure that purchaser's agent Participant has enough lead time to update its internal systems and accept delivery on delivery date. This will avoid DK's and costly rework.
The Chase Manhattan Bank (as agent for Ginnie Mae and CPTA)	4. Registers security in name of Depository's nominee (MBSCC & Co.), notifies issuer, and, if securities will be issued in certificated form, delivers the certificates to the Depository. If securities are issued in uncertificated form, The Chase Manhattan Bank confirms to the Depository the registration of the securities in the name of MBSCC & Co.
Depository Trust Co.	5. If securities are issued in certificated form, deposits certificate in vault. Accesses SPEED System and credits security to Agent Bank "B's" designated Agency Seg Account on date securities are delivered by The Chase Manhattan Bank. All securities will be posted by the Depository no earlier than 2:00 p.m. on the ready date.
Issuer or Warehouse Lender	6. LPA accesses SPEED System and performs inquiry function to determine if security has been credited to its Limited Purpose Account. If security has been credited, proceed to Step 10.
	7. If security has not been credited to issuer/warehouse lender's Limited Purpose Account by 2:00 p.m. on ready date, it is the responsibility of the issuer to call the Depository to determine the cause of the delay.
Issuer or Warehouse Lender	8. LPA holder keys in instructions to deliver pool to the book entry account of purchaser if a Participant or to the Agent Participant for purchaser as per the Depository operating procedures.
PTC	9. If the delivery is versus payment and is matched by the receiving Participant, the cash account of the Limited Purpose Account is credited in the amount of the transaction.
	10. Upon settlement, the Limited Purpose Account holder receives same day funds wired to its bank as per standing instructions of the Limited Purpose Participant.
	<b>Note:</b> Steps 9 and 10 do not apply to deliveries made free of payment which are received once matched and for which there are no associated cash account credits and debits.
<b>End of Example #3</b>	